

Fourth Quarter (Q4) 2021 Summary

January 3, 2022

- Stocks ended Q4 variably higher. 2021 gains were broad.
- COVID spread continues to weigh on marginal sentiment.
- Investors expect the U.S. Fed and other central bankers to become less accommodative/raise rates to slow inflation.
- Bonds lost ground as yields rose in the quarter and year.
- GPM stock portfolios performed very well in Q4 and 2021.
- Large-caps widely outperformed small-caps in the quarter.
- Despite a drag from bonds, GPM balanced portfolios posted solid gains in the quarter and full year.

Markets

Reference Index Fund	Income Yield %	Performance for the Period					Average Annual Performance			
		Q4 2021	2021	2020	2019	2018	3 Yrs	5 Yrs	10 Yrs	15 Yrs
Short-Term Treasury Bond	0.3	-0.6	-0.9	4.0	3.6	1.4	2.2	1.7	1.1	2.1
Intermediate-Term Treasury Bond	0.9	-0.6	-2.3	8.2	6.3	1.0	4.0	2.9	2.1	3.9
Intermediate-Term Investment Grade Bond	2.2	-0.4	-1.1	10.4	10.5	-0.5	6.4	4.6	4.2	5.1
High-Yield Bond	3.4	0.5	3.8	5.4	15.9	-2.9	8.2	5.7	6.2	6.2
S&P 500 Stock ETF (SPY)	1.2	11.0	28.8	18.2	31.2	-4.6	25.9	18.3	16.4	10.6
Small-Cap Stock	0.9	3.8	17.6	19.0	27.2	-9.4	21.2	13.4	14.0	9.8
Total International Stock	2.9	2.1	8.6	11.2	21.4	-14.4	13.6	9.8	7.6	3.8

Except for SPY, data is for Vanguard funds. All returns include reinvested income. Income (dividend) yield shown is SEC format.

Commentary

Brief Stock Market Recap

U.S. stock indices posted robust gains in 2021. Globally, most developed markets also advanced in local currencies. Trillions of government stimulus funds in the system and the end of COVID lockdowns in the summer powered a surge in the global economy. Pent up demand was unleashed as people were able and excited to get out and spend more on just about everything. Such strong demand against unfilled jobs and supply chain bottlenecks caused shortages which have at least temporarily, fueled higher prices and inflation on a scale that we haven't seen since the 1980s. Inflation became hotter than the Fed and other central banks expected, so they are recalibrating policy messaging and response, in effect threading a needle as COVID Delta and Omicron wreak havoc.

Outlook

The rapid spread of COVID Delta in Q3 and Omicron in Q4 have worked to moderate marginal economic expansion. Our view remains that underlying demand is solid and the ability to satisfy demand, while constrained, will improve. Although financial markets expect the Fed to hike rates throughout 2022, it's plausible that as the year progresses, supply constraints, inflation, and rate hike pressures ease. Investors, much like policymakers, have recalibrated expectations about economic expansion in 2022 and beyond. We see activity running at a less robust, but still healthy pace for a longer duration. We think the U.S. economy is still well primed to expand and supportive to longer-term stock sentiment. We remain laser focused on operations of the high-quality companies we invest in and believe they will continue to deliver rewarding growth in revenue, earnings, and cash flow.

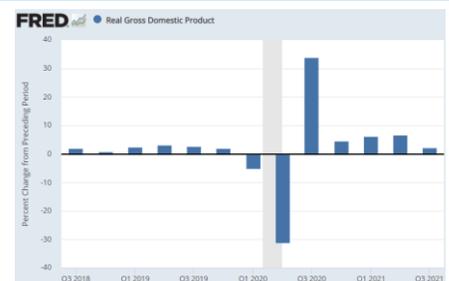
S&P 500 Stock Index



Consumer Price Index (CPI)



U.S. Real GDP



GPM Portfolios - Overview

Stock accounts are normally 100% invested for long-term growth in value and income. **Balanced accounts** hold stocks and bonds for a more conservative approach.

Core GPM stock selection and ownership criteria:

We execute and invest with discipline in high quality companies that we believe will over time, provide attractive overall portfolio returns with less risk than the broad market.

1. A highly sustainable business that we understand, led by an agile management team with a long-term record of rewarding growth in sales, earnings, cash flow, dividends, and ultimately stock prices.
2. Product innovation and service superiority that enables demand creation and positions the company to compete and win worldwide.
3. Business visibility that supports reasonable forecasting.

Stock portfolios continued to perform well in the fourth quarter and 2021. We liquidated three positions in Q4 and received buyout proceeds when KSU was acquired by Canadian Pacific. We established a new starter position in Amazon.com, and selectively boosted the size of multiple core positions.

2021 stock activity summary: Liquidations: 6. Reductions: 4. New adds: 5. Size boosts: 10. *Twenty-one of our twenty-four dividend paying companies raised their cash dividend paid to shareholders in 2021 by amounts ranging from 7% to 39%.*

At year-end, we held 27 stocks that we believe collectively position client portfolios to benefit from increasing consumer engagement as pandemic caution recedes and the economy gradually rebuilds momentum. Portfolios also remain positioned to benefit from what we believe are six technology megatrends; 1) 5G infrastructure rollout; 2) Internet of things/IOT proliferation; 3) Everything cloud and data centers; 4) Artificial intelligence and machine learning; 5) Electric vehicles; 6) Autonomous and driver assisted vehicles.

Balanced portfolios also performed well in the quarter and full year. Two of three portfolio components contributed positively to solid results in Q4 and the year. **Stocks** contributed most positively as discussed above. **High Yield Bonds (HYB)** posted solid gains in Q4 and the full year even as Omicron worries, and inflation concerns weighed. **Investment Grade Corporate Bonds** ended the quarter and year with modest losses as interest earned was more than offset by price slippage as yields increased in the quarter and year. Our overall bond component remains positioned with relatively short duration to capture reasonable income consistent with acceptable rate sensitivity given near-term inflation challenges and evolving Fed policy.

Stock Portfolio Insight

Portfolio Holdings By Sector

Asset Class	Allocation
Technology	35.59 %
Consumer Cyclical	15.81 %
Industrials	14.14 %
Financial Services	10.43 %
Healthcare	8.57 %
Communication Services	7.81 %
Consumer Defensive	5.22 %
Real Estate	1.83 %
Cash	0.60 %
Portfolio Total:	100.00 %

Portfolio Holdings By Equity Style

Equity Style	Allocation
Large Core	45.11 %
Large Growth	35.91 %
Mid Core	7.36 %
Small Core	6.66 %
Large Value	2.54 %
Mid Growth	1.83 %
Uncategorized	0.60 %
Portfolio Total:	100.00 %

Quarter-end data shown above closely approximates all GPM stock portfolios.

Closing Comment

In October, [Joseph Griffin](#) joined the GPM team as a **managing partner, portfolio manager, and client advisor**. He brings nearly fifteen years of company research expertise and stock investing experience. Most recently, from 2016 to 2021 Joe led Malbork Capital Management, LLC, a Registered Investment Advisor, managing a private investment partnership for accredited investors and separate accounts for individual clients on a discretionary basis. From 2009 to 2015, Joe was a key member of the GPM team with increasing responsibilities, primarily focused on stock research, financial analysis, and execution of portfolio management strategy.

The GPM team extends a warm welcome to Malbork Capital clients.

We hope everyone has a safe, healthy, and happy 2022!

The GPM Growth Team

GPM is an independent, employee-owned portfolio management and advisory firm founded in 1993. We operate with discipline and unwavering dedication to a consistent investment process and exceptional client support. Our investment philosophy is built with long-term perspective and a commitment to investing in high quality, growing businesses with sustainable competitive and value-creating advantages - profitable companies that we believe will over time, provide attractive overall portfolio returns with less risk than the broad market.

Tim Griffin, founding shareholder 1993.
Portfolio Manager, Analyst, Client Advisor.
Years of Portfolio Management
Experience: 38+



Mark Hogan, shareholder.
Analyst, Portfolio Manager.
Years of Stock Research
Experience: 6+



Joseph Griffin, shareholder.
Managing Partner, Portfolio Manager.
Years of Research and Portfolio Management
Experience: 14+



Brittney Stevenson, shareholder.
Managing Partner, Client Advisor.
Years of Financial Services
Experience: 14+



Kevin Leahy, Client Advisor.
Years of Financial Services
Experience: 6+



1993

GPM is an independent, employee-owned portfolio management and advisory firm founded in 1993. We manage money for private clients and advise on financial planning strategy and investing. Our team culture promotes high quality critical thinking to support clients holistically.

75+

GPM's research and portfolio management team work collaboratively to execute our well-focused strategy with discipline, leveraging more than 75 years of combined stock-focused investing and client advisory experience.

~30

Our client stock and balanced portfolios are actively managed and built on a solid foundation of approximately 30 high-quality, U.S. based, sustainable growth companies that compete and win worldwide.

GPM offers two distinct portfolio approaches: 100% Stock and Balanced. Both portfolio strategies are clearly defined and built on the same foundation of approximately 30 high quality companies. Portfolios are well-tailored to fit each client in support of their long-term wealth accumulation and income generation goals. **GPM's Aspire ETF-based portfolios** are designed for investors in the earlier stages of their wealth accumulation process and others who prefer an ETF approach.

Our team invests in GPM portfolio holdings alongside clients. Our founder employs a growth-weighted, GPM balanced portfolio approach. Nearly 100% of his personal investment portfolio is invested in the same securities owned for GPM clients.